

105TH CONGRESS
2D SESSION

H. R. 3309

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs which are comparable to qualified State tuition programs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 3, 1998

Mr. ENGLISH of Pennsylvania (for himself, Mr. WELDON of Pennsylvania, and Mr. PAUL) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs which are comparable to qualified State tuition programs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. ELIGIBLE EDUCATIONAL INSTITUTIONS PER-**
4 **MITTED TO MAINTAIN QUALIFIED TUITION**
5 **PROGRAMS; OTHER MODIFICATIONS OF**
6 **QUALIFIED TUITION PROGRAMS.**

7 (a) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-
8 MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

1 (1) IN GENERAL.—Paragraph (1) of section
 2 529(b) of the Internal Revenue Code of 1986 (defin-
 3 ing qualified State tuition program) is amended by
 4 inserting “or by 1 or more eligible educational insti-
 5 tutions” after “maintained by a State or agency or
 6 instrumentality thereof”.

7 (2) TECHNICAL AMENDMENTS.—

8 (A) Section 135(d)(1)(D) of such Code,
 9 and the text of sections 529 and 530 of such
 10 Code, are amended by striking “qualified State
 11 tuition program” each place it appears and in-
 12 serting “qualified tuition program”.

13 (B)(i) The section heading of section 529
 14 of such Code is amended to read as follows:

15 **“SEC. 529. QUALIFIED TUITION PROGRAMS.”.**

16 (ii) The item relating to section 529 of
 17 such Code in the table of sections for part VIII
 18 of subchapter F of chapter 1 of such Code is
 19 amended by striking “State”.

20 (b) EXCLUSION FROM GROSS INCOME OF DISTRIBUTI-
 21 TIONS ALLOCABLE TO QUALIFIED HIGHER EDUCATION
 22 EXPENSES.—

23 (1) IN GENERAL.—Subparagraph (B) of section
 24 529(c)(3) of such Code (relating to distributions) is
 25 amended to read as follows:

“(B) DISTRIBUTIONS FOR QUALIFIED
HIGHER EDUCATION EXPENSES.—If a distribu-
tee elects the application of this subparagraph
for any taxable year—

“(i) no amount shall be includible in
gross income by reason of a distribution
which consists of providing a benefit to the
distributee which, if paid for by the dis-
tributee, would constitute payment of a
qualified higher education expense, and

“(ii) the amount which (but for the
election) would be includible in gross in-
come by reason of any other distribution
shall not be so includible in an amount
which bears the same ratio to the amount
which would be so includible as the amount
of the qualified higher education expenses
of the distributee bears to the amount of
the distribution.”.

(2) DISTRIBUTIONS TREATED AS FIRST BEING
ATTRIBUTABLE TO INCOME.—Subparagraph (A) of
section 529(c)(3) of such Code is amended to read
as follows:

“(A) IN GENERAL.—Any distribution from
a qualified tuition program—

1 “(i) shall be includible in the gross in-
2 come of the distributee to the extent allo-
3 cable to income under the program, and

4 “(ii) shall not be includible in gross
5 income to the extent allocable to invest-
6 ment in the contract.

7 For purposes of the preceding sentence, rules
8 similar to the rules of section 72(e)(3) shall
9 apply.”.

10 (c) CHANGE OF QUALIFIED TUITION PROGRAM.—

11 Clause (i) of section 529(c)(3)(C) of such Code is amended
12 by inserting “to another qualified tuition program for the
13 benefit of the designated beneficiary or” after “trans-
14 ferred”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall take effect on January 1, 1999.

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